

PUBLIC DISCLOSURE

May 5, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sabine State Bank and Trust Company
Certificate Number: 08141**

**297 Elizabeth Street
Many, Louisiana 71449**

**Federal Deposit Insurance Corporation
Division of Compliance and Consumer Affairs
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Sabine State Bank and Trust Company** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **February 17, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The bank's CRA Performance depicts an outstanding practice of providing for the credit needs of its assessment area. This rating is supported by the following:

An analysis of loan originations reveals an excellent penetration among borrowers of different incomes, particularly low- and moderate-income individuals in residential mortgages.

The bank has achieved a reasonable dispersion of loans within its assessment area, particularly in the low- and moderate-income geographies.

A substantial majority of loan originations since the last evaluation are within the bank's assessment area.

The average loan to deposit ratio reflects an excellent responsiveness to community credit needs.

The bank demonstrates their initiative through services by participating in programs that target low- and moderate-income individuals.

DESCRIPTION OF INSTITUTION

Sabine State Bank is a community bank having \$129,905,000 in gross loans and \$195,187,000 in total assets as of December 31, 1998. The bank's primary business focus consists of the following: real estate-related loans represent 63 percent of gross loans, commercial loans represent 21 percent of gross loans, and consumer loans represent 12 percent of gross loans.

The main office is located in Many, Louisiana, which is situated in Sabine Parish Block Numbering Area (BNA) 9805. The bank has 21 branches (including a Mortgage Loan Production Office housed within a branch) which are located in the cities of Many, Converse, Forien, Zwolle, Pleasant Hill, Fort Polk, Leesville, Winnfield, Jena, DeRidder, Pineville, Jonesboro, Natchitoches, Merryville, Mansfield, Logansport, and Alexandria. There also are five automated teller machines (ATMs).

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

DESCRIPTION OF THE ASSESSMENT AREA

The bank has defined its assessment area as the parishes of Sabine, Vernon, LaSalle, Winn, Grant, Natchitoches, DeSoto, and Rapides. There are 48 BNAs and 35 census tracts (CTs) which encompasses 5 low-, 13 moderate-, 53 middle-, and 12 upper-income geographies.

According to the 1990 U.S. census data, the population of the assessment area is 338,102. Twelve percent of households receive public assistance income, and twenty-four percent of households are below the poverty level. Mobile homes represent 20 percent of the housing units in the assessment area with 27 percent of the housing units renter-occupied and 58 percent of the housing units owner-occupied. The median housing value is \$45,548 and the median gross rent per month is \$321. The unemployment rate for the assessment area is approximately 12 percent. There are 8 banks and 15 finance companies located in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of the bank's lending performance is based upon a review of two samples of loans derived from loan categories, which were originated from the prior twelve months. The sample consisted of 50 residential mortgage loans totaling \$3,237,898 from a universe of 198 loans totaling \$9,547,331. A sampling of 25 small business loans totaling \$17,898,974 were reviewed from a universe of 26 loans totaling \$18,743,882.

Lending to Borrowers of Different Incomes

An analysis of loan originations reveals an excellent penetration among borrowers of different incomes. The 1998 HUD estimated statewide non-metropolitan median family income (MFI) of \$28,000 was used for borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENT OF MFI	INCOME RANGE
Low	Less than 50%	Less Than \$14,000
Moderate	50% to less than 80%	\$14,000 to less than \$22,400
Middle	80% to less than 120%	\$22,400 to less than \$33,600
Upper	120% and over	\$33,600 and over

Of the residential real estate loans sampled, there were six loans in Rapides Parish, which is in the Alexandria, Louisiana MSA. The 1998 HUD estimated MSA MFI of \$33,600 was used for borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENT OF MFI	INCOME RANGE
Low	Less than 50%	Less Than \$16,800
Moderate	50% to less than 80%	\$16,800 to less than \$26,880
Middle	80% to less than 120%	\$26,880 to less than \$40,320
Upper	120% and over	\$40,320 and over

The following table indicates that 27 percent of the number and 15 percent of the dollar amount of loans were made to low- to moderate-income borrowers, while approximately 40 percent of families earn low- or moderate-incomes. When considering that 48 percent of the low-income and 32 percent of the moderate-income individuals were below poverty levels and may not qualify, the percentage of low- to moderate-income families reduces to 24 percent. Based on the aforementioned factors, there is a reasonable distribution of loans to low- and moderate-income borrowers.

RESIDENTIAL REAL ESTATE LOANS – MSA AND NON-MSA AREAS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	22	3	7	\$ 14,893	1
Moderate	17	9	20	395,465	14
Middle	20	10	22	653,263	23
Upper	41	24	51	1,745,167	62
TOTAL	100	46	100	\$2,808,788	100

Approximately 92 percent of the number of small business loans and 82 percent of the dollar amount of small business lending are to businesses within the assessment area that generate less than \$1,000,000 in annual gross revenues.

Distribution of Small Business Loans by Gross Annual Revenues of Businesses Within Assessment Area				
Gross Annual Revenues (000s)	1998		1998	
	#	%	\$	%
\$100 or less	8	32	3,579,795	20
\$100 through \$250	10	40	6,622,620	37
Over \$250 through \$1,000	5	20	4,474,744	25
Over \$1,000	2	8	3,221,815	18
TOTAL	25	100	17,898,974	100

Geographic Distribution of Loans

The geographic distribution of loans is considered reasonable. The analysis of loans indicates the bank has extended credit in all geographies and demonstrates a reasonable dispersion of lending throughout the assessment area. The main office is located in a middle-income geography (BNA 9805). There are 5 low-, 13 moderate-, 53 middle-, and 12 upper-income geographies. While there are 21 branches within the assessment area, there are 4 branches in low- and moderate-income geographies. The addition of a branch in Rapides Parish, which is in the Alexandria, Louisiana MSA, expanded the assessment area. This added five low-income and eight moderate-income geographies to the assessment area. Approximately, 12 percent of the loans are in low- and moderate-income geographies and 21 percent of the assessment population resides in the low- and moderate-income geographies.

Distribution of Lending by Income Category of the BNA or Census Tract Within the Assessment Area					
BNA/Census Tract Income Level	Percent of Families	1998			
		#	%	\$	%
Low	3	1	1	\$ 105,788	1
Moderate	13	10	14	3,925,775	19
Middle	68	54	76	13,225,722	64
Upper	16	6	9	3,450,477	16
TOTAL	100	71	100	\$20,707,762	100

Lending in the Assessment Area

A substantial majority of the loans originated since the previous evaluation are within the bank's assessment area. Specifically, 92 percent of the number and 94 percent of the dollar volume of sampled loans were made within the assessment area.

Loan to Deposit Ratio

The bank's average loan to deposit ratio based on the 10 quarters since the last evaluation was 66 percent. As of December 31, 1998, the average state loan to deposit ratio for a bank of this size is 64 percent with the bank's ratio at 73 percent.

There were three similarly situated competitors in the area with an average loan-to-deposit ratio of 49 percent. The bank's current ratio reflects an excellent responsiveness to the assessment area's credit needs.

Service Test

The bank offers several affordable housing loan programs that target low- to moderate-income individuals. The Guaranteed Rural Housing (GRH) Loan Program provides loans for one-to-four family owner-occupied residences to borrower households according to the U. S. Department of Housing and Urban Development (HUD) annual report for "Income Limits for Lower Income and Very Low-Income Families."

These loans also include Fannie Mae, Freddie Mac, HUD, or VA housing loans. Fannie 97 is a program under the Fannie Mae Community Lending product umbrella, which provides housing loans with 3 percent down payments to individuals with household incomes up to a maximum of 120 percent of MFI and up to 100 percent of appraised value.

The bank's loan production office also packages and sells numerous loans to the secondary market for low- to moderate-income individuals that qualify under the bank's underwriting criteria. The bank also originates loans to local real estate developers who provide pre-sold lots for the development of homes in the low- and moderate-income areas. Most of these homes are guaranteed by HUD.

Additionally, the bank offers a Northwest Financial program that provides financing for applicants that may not qualify for Fannie Mae or any other types of conventional financing due to financial status or income ratios. These loans are sold with the servicing released.

The following table shows the number and dollar amount of loans funded under these programs.

Type or Program	Number	Amount(000s)
FHA	26	\$1,812
GRH	139	3,336
VA	264	6,071
Fannie97	21	1,780
First Time Buyers	6	225
Norwest Financial	19	1,615
Helping Hand*	2	77
Total	477	\$14,916

* This program involves grant money of \$34,000.

Response to Complaints

The bank has not received any CRA-related complaints since the last examination.

Compliance with Anti-discriminatory Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.